

MONTANA LEGISLATIVE HISTORY

Chapter 686 19 79

Bill H 643 S _____

Original bill & history Q c

H. Committee on Taxation

Hearing Date(s) 2/20 Y c

3/17 Y c

_____ c

_____ c

Date Out _____ c

S. Committee on Taxation

Hearing Date(s) 4/2 Y c

4/5 X c

_____ c

_____ c

Did this bill originate in an interim committee? ____ Yes ____ No

Committee _____

Report _____

Chap. Num.	Senate Bill	House Bill	Title
674		770	An act to authorize the state, local government units, and Montana corporations to apply for the right to operate foreign-trade zones under the laws of the United States; providing jurisdictional guidelines for foreign-trade zones; and clarifying taxation within foreign-trade zones.Page 1795
675		851	An act to provide procedures for alteration of existing forms of local government.Page 1796
676		883	An act to generally revise the law relating to major facilities and siting; amending sections 75-20-103, 75-20-104, 75-20-203, 75-20-211, 75-20-213 through 75-20-216, 75-20-217 through 75-20-222, 75-20-301, 75-20-302, 75-20-304, 75-20-401, 75-20-402, 75-20-406, 75-20-408, 75-20-501, and 75-20-503, MCA; and repealing sections 75-20-1101 through 75-20-1105, MCA.Page 1804
677		868	An act to provide a battered spouses and domestic violence grant program administered by the Department of Social and Rehabilitation Services; providing a source of funding; providing an appropriation; and amending section 40-1-202, MCA.Page 1822
678		891	An act to establish state employee compensation and provide pay schedules for fiscal years 1980 and 1981; appropriating funds therefor; amending sections 2-18-101, 2-18-106, 2-18-301, 2-18-303, 2-18-304, 2-18-305, 2-18-311, 2-18-312, 2-18-701, and 2-18-703, MCA; and repealing section 2-18-307, MCA.Page 1824
679		900	An act to increase the membership of the Board of Oil and Gas Conservation by adding two landowners not actively associated with the oil and gas industry; amending section 2-15-3303, MCA.Page 1834
680		910	An act to reaffirm the intent of the Legislature regarding the status of taxes or license fees paid to the state under protest; amending section 15-1-402, MCA; providing an immediate effective date.Page 1835
681		916	An act to amend section 15-30-203, MCA, to make officers and employees of corporations liable for payment of tax withheld by a corporation from employees.Page 1836
682		923	An act to transfer responsibility for the custody of postsecondary vocational-technical center money from the county treasurer to the State Treasurer; providing that a school district board of trustees may authorize the expenditure of funds from the state treasury for postsecondary vocational-technical center programs; amending sections 20-3-324, 20-7-322, 20-7-325, 20-7-333, and 20-9-212, MCA; and providing an effective date.Page 1837
683	286		An act to increase, for an 8-year term, the number of associate justices on the Supreme Court by election; to clarify that a majority of all the justices must concur in any decision of the court; amending sections 3-2-101, 3-2-302, and 13-14-101, MCA.Page 1842
684	489		An act to reestablish the Board of Public Accountants and to generally revise the authority of the board with regard to certification and licensing; amending sections 2-8-103, 2-15-1641, 37-50-102, 37-50-201 through 37-50-203, 37-50-301, 37-50-302, 37-50-305, 37-50-308, 37-50-309, 37-50-314, 37-50-315, 37-50-321, 37-50-331 through 37-50-335, MCA; and repealing sections 37-50-306 and 37-50-307, MCA; and providing an effective date.Page 1843
685		190	An act to revise the unemployment compensation laws relating to the taxable wage base, employer contributions, and employer classification and experience rating; amending sections 39-51-401, 39-51-1103, 39-51-1108, and 39-51-1301, MCA; repealing sections 39-51-1106, 39-51-1107, 39-51-1201 through 39-51-1203, and 39-51-1205, MCA; repealing section 39-51-1204, MCA, retroactively; and providing a retroactive effective date.Page 1855
686		643	An act to require that all operating property owned by centrally assessed companies be assessed by the Department of Revenue and to apply a single property tax rate to that property; providing that this act applies to taxable years after December 31, 1979; amending sections 15-6-108, 15-6-111, 15-6-115, 15-8-111, 15-8-407, 15-23-101, 15-23-105, 15-23-202, 15-23-403, MCA; repealing section 15-23-302, MCA; and providing for coordination with House Bill 213.Page 1865
687		652	An act to amend the law relating to sexual assault by providing that consent is ineffective in certain circumstances; amending section 45-5-502, MCA.Page 1870
688		766	An act to revise the unemployment compensation laws relating to the minimum weekly benefit amount, the duration of benefits, and disqualification of benefits; amending sections 39-51-2105, 39-51-2201, 39-51-2204, 39-51-2302, 39-51-2303, and 39-51-2304, MCA.Page 1871

of assessing livestock; requiring that all livestock be assessed and taxed in their home county; providing for proration of property tax on migratory cattle among counties; increasing the penalty for failure to provide assessment information; amending Sections 15-8-201, 15-24-903, and 15-24-904, MCA; and repealing Sections 15-24-907 through 15-24-910, MCA."

House Page No. 315, 894, 915, 926, 966, 1000, **1036**, 1438, 1501, 1502, 1603, 1606, 1610, 1633, 1634, 1637, **1638**, 1654, 1691, 1693.

Senate Page No. 1014, 1015, 1262, 1295, 1302, **1303**, **1377**, 1382, 1397, 1408, 1429, 1434, **1437**, 1478, 1484, 1499, 1511, 1519, **1520**, 1560.

- 640 Introduced by Lien, Manley, Conroy, Day, Nathe, Burnett, Wyrick: A bill for an act entitled: "An act to generally revise the procedure for assessing and taxing livestock; increasing the penalty for failure to provide assessment information; providing a reserve fund for refunding overpayment of property tax on livestock; and amending Sections 15-24-903 through 15-24-905 and 15-24-910, MCA."

House Page No. 315.

- 641 Introduced by Reichert, Bennett, E. Smith, Kemmis, Oberg, Holmes, Van Valkenburg, Fabrega, Johnson, McBride, Keedy, Rosenthal, Dassinger, Nordtvedt, Yardley, Dussault, Metcalf, Vincent, Huennekens, Harper, Burnett, Dozier, Manning, Day, Waldron, Jergeson, Azzara, Shelden, Regan, Hemstad, Conover: A bill for an act entitled: "An act to revise Montana's Code of Ethics by improving enforcement and providing penalties; prohibiting a former state employee from contracting or being employed by a contractor with the state for 6 months following termination of employment; removing exemptions for professional service contracts; amending Sections 2-2-103 through 2-2-105, 2-2-112, 2-2-201, and 45-7-401, MCA."

House Page No. 315, 412, **432**.

- 642 Introduced by Harper, Stobie: A bill for an act entitled: "An act to prohibit a former state employee from contracting or being employed by a contractor with the state for 6 months following the termination of his employment; and to remove the exception for professional service contracts; amending Section 2-2-201, MCA."

House Page No. 315, 432, 458, 501, **522**, 961, 984, **999**, 1132, 1133, 1150, 1272.

Senate Page No. 464, 466, 748, 807, **886**, 971, 1082, 1085.

- 643 Introduced by Fabrega, (By Request of the Department of Revenue): A bill for an act entitled: "An act to require that all operating property owned by centrally assessed companies be assessed by the Department of Revenue and to apply a single property tax rate to that property; amending Sections 15-6-108, 15-6-115, 15-8-407, 15-23-101, 15-23-105, 15-23-202, 15-23-403, MCA; and repealing Section 15-23-302, MCA."

CHAPTER NO. 686

HOUSE BILL NO. 643

INTRODUCED BY FABREGA

BY REQUEST OF THE DEPARTMENT OF REVENUE

IN THE HOUSE

February 8, 1979

Introduced and referred to Committee on Taxation.

March 26, 1979

Committee recommend bill do pass as amended.
Report adopted.

March 27, 1979

Printed and placed on members' desks.

Second reading, do pass as amended.

Correctly engrossed.

Third reading, passed.
Transmitted to second house.

IN THE SENATE

March 27, 1979

Introduced and referred to Committee on Taxation.

April 7, 1979

Statement of Intent adopted.

Committee recommend bill be concurred in as amended.
Report adopted.

April 9, 1979

Second reading, concurred in.

April 11, 1979

Third reading, concurred in as amended.

IN THE HOUSE

April 12, 1979

Returned from second house.
Concurred in as amended with Intent statement.

April 13, 1979

Second reading, amendments
adopted.

April 16, 1979

Third reading, amendments
adopted. Sent to enrolling.

Reported correctly enrolled.

House BILL NO. 643

INTRODUCED BY Fallick
BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THAT ALL OPERATING PROPERTY OWNED BY CENTRALLY ASSESSED COMPANIES BE ASSESSED BY THE DEPARTMENT OF REVENUE AND TO APPLY A SINGLE PROPERTY TAX RATE TO THAT PROPERTY; AMENDING SECTIONS 15-6-108, 15-6-115, 15-8-407, 15-23-101, 15-23-105, 15-23-202, 15-23-403, MCA; AND REPEALING SECTION 15-23-302, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-108, MCA, is amended to read:

"15-6-108. Class seven property -- description -- taxable percentage. (1) Class seven property includes:

(a) centrally assessed utility allocations ~~after deductions--of--locally--assessed--properties,~~ except as provided in:

(i) class fourteen for rural telephones; and

(ii) class eighteen for cooperatives;

(b) all other property not included in classes one through six and classes eight through twenty;

(c) large trucks and commercial trailers valued in the department of revenue's truck and commercial trailer

schedule.

(2) Class seven property is taxed at 16% of its market value."

Section 2. Section 15-6-115, MCA, is amended to read:

"15-6-115. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) ~~all poles, lines, transformers, transformer stations, meters, tools, improvements, machinery, and other~~ property, except that included in class eighteen, used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less. The average circuit miles for each station on the telephone communications system must be more than 1 1/4 miles to qualify for this classification.

(b) tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes; and

~~(c) electric transformers and meters, electric light and power substation machinery, and natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by centrally assessed public utilities and tools used in the repair and maintenance of the property included in this subsection; and~~

1 ~~and~~ livestock, poultry, and unprocessed products of
2 both.

3 (2) Class fourteen property is taxed at 8% of its
4 market value."

5 Section 3. Section 15-8-407, MCA, is amended to read:

6 "15-8-407. Railroads and other franchises. (1) The
7 franchise, roadway, roadbed, rails, and rolling stock, and
8 all other operating property of all railroads operated in
9 more than one county ~~in this or more than one~~ state must be
10 assessed by the department of revenue as hereinafter
11 provided.

12 (2) Other franchises, if granted by the authorities of
13 a county or city, must be assessed in the county or city
14 within which they were granted; if granted by any other
15 authority, they must be assessed in the county in which the
16 corporations, firms, or persons owning or holding them have
17 their principal place of business."

18 Section 4. Section 15-23-101, MCA, is amended to read:

19 "15-23-101. Properties centrally assessed. The
20 department of revenue shall centrally assess each year:

21 (1) the franchise, roadway, roadbeds, rails, rolling
22 stock, and all other operating property of railroads
23 operated operating in more than one county in the state or
24 more than one state, ~~but buildings on right-of-way and~~
25 ~~outside the right-of-way and improvements thereon~~

1 ~~furniture, machinery, and other personal property situated~~
2 ~~within a county shall be assessed in that county;~~

3 (2) property owned by a corporation or other person
4 constituting operating a single and continuous property
5 operated in more than one county or more than one state,
6 including telegraph, telephone, microwave, electric power or
7 transmission lines, natural gas or oil pipelines, canals,
8 ditches, flumes, or like properties, ~~but buildings on~~
9 ~~right-of-way and outside the right-of-way and improvements~~
10 ~~thereon, dams and powerhouses, furniture, machinery, and~~
11 ~~other personal property situated within a county shall be~~
12 ~~assessed in that county;~~

13 (3) all property of scheduled airlines;

14 (4) the net proceeds of mines and of oil and gas
15 wells; and

16 (5) the gross proceeds of coal mines."

17 Section 5. Section 15-23-105, MCA, is amended to read:

18 "15-23-105. Apportionment among counties. The
19 department shall apportion the value of property assessed
20 under 15-23-202, ~~15-23-302~~, or 15-23-403 among the counties
21 in which such property is located. Apportionment shall be on
22 a mileage basis or if the property is of such a character
23 that its value cannot reasonably be apportioned on the basis
24 of mileage, the department may adopt such other method or
25 basis of apportionment as may be just or proper."

Section 6. Section 15-23-202, MCA, is amended to read:

"15-23-202. Assessment -- how made. The department must assess the franchise, roadway, roadbed, rails, and rolling stock, and all other operating properties of all railroads operated in more than one county or more than one state. All rolling stock must be assessed in the name of the person owning, leasing, or using the same. Assessment must be made to the person owning or leasing or using the same and must be made upon the entire railroad within the state. The depots, stations, shops, and buildings erected upon the space covered by the right-of-way and all other property owned or leased by such person, except as above provided, shall be assessed by ~~an agent of the department in the county where they are located.~~"

Section 7. Section 15-23-403, MCA, is amended to read:

"15-23-403. Determination of value -- notice. (1) The department of revenue shall determine the full and true valuation of all property of all airlines operating in this state or used by every scheduled airline company in air commerce. This valuation may be ascertained by:

(a) determining the full and true valuation of all property owned and operated by every scheduled airline company; and

(b) allocating to the state of Montana from this total valuation a valuation which represents this state's proper

share of the valuation of the property, through the application of ratios which are indicated in subsections (8), (9), (10), and (11) of 15-23-402 against the total valuation, and

~~(c) assessing by the agent of the department in the county where they are located buildings, furniture and other personal property. These values shall be subtracted from the total state share to arrive at the value to be allocated.~~

(2) After making such assessment, the department shall give written notice thereof to the person or persons to whom the assessment is made."

Section 8. Repealer. Section 15-23-302, MCA, is repealed.

-End-

HB 643



The Big Sky Country

MONTANA STATE HOUSE OF REPRESENTATIVES

46TH LEGISLATURE

Members of the House Taxation Committee:

Representative Herb Huennekens, Chairman
3216 Rimrock Road, Billings, Montana 59102

Representative E. N. Dassinger, Vice-Chairman
Box 206, Forsyth, Montana 59327

Representative Verner L. Bertelsen
Rural Route, Ovando, Montana 59854

Representative James H. Burnett
Luther, Montana 59051

Representative Robert Dozier
3923 3rd Avenue S., Billings, Montana 59101

Representative Jay Fabrega
812 Grizzly Drive, Great Falls, Montana 59404

Representative Harrison G. Fagg
1414 Mystic Drive, Billings, Montana 59102

Representative Peter J. Gilligan, Jr.
P.O. Box 6413, Great Falls, Montana 59406

Representative Dan W. Harrington
1201 N. Excelsior, Butte, Montana 59701

Representative Les J. Hirsch
Broadus Stage, Miles City, Montana 59301

Representative Vicki Johnson
Star Route, Whitebird, Columbus, Montana 59019

Representative Edward Lien
SR 231, Box A33, Wolf Point, Montana 59201

Representative Kenneth L. Nordtvedt, Jr.
118 Sourdough Ridge, Bozeman, Montana 59715

Representative Arlyne Reichert
1409 4th Avenue S., Great Falls, Montana 59405

Representative Hershel M. Robbins
915 1st Street East, Roundup, Montana 59072

46th Legislature

Members of House Taxation Committee continued:

Representative Robert Sivertsen
Box 2226, Havre, Montana 59501

Representative Melvin Underdal
Box 605, Shelby, Montana 59474

Representative Orren C. Vinger
517 Johnson, Wolf Point, Montana 59201

Representative J. Melvin Williams
511 8th Avenue, P.O. Box 245, Laurel, Montana 59044

Randy McDonald, Staff Attorney
Helena, Montana 59601

Josephine Lahti, Secretary
Wolf Creek, Montana 59648

46th Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 640	Revise assessment & taxing of livestock; increasing penalty for not providing information; provide reserve fund for refunding overpayment of tax on livestock.	2/8	Lien	2/19	Held in Committee	
HB 643	Require all operating property owned by centrally assessed companies be assessed by DoR & to apply single tax rate.	2/8	Fabrega	2/20	AS AMENDED DO PASS TABLED 3/17 Recommended to be studied during interim by ROS Cmte.	3/26
HB 646	Provide alternative method of computing tax due based on investment of assets in Montana.	2/8	Fabrega	2/20	AS AMENDED DO PASS	3/12
HB 669	Re financing urban renewal projects; revise methods of calculating & using tax increments.	2/8	Ramirez	2/20	AS AMENDED DO PASS	3/17
HB 702	Designate DoR as party defendant in all actions relating to DoR's assessment of property and that local taxing units are not responsible for anything	2/9	Fabrega	2/21	AS AMENDED DO PASS	3/8
HB 724	Change distribution of license tax on liquor.	2/10	Gould	2/22	Held in Committee	

HOUSE BILL

643

the department of revenue to assess all the operating property owned by centrally assessed companies and establish a tax rate of 16% on all property of utilities.

Dennis Burr, DoR, asked how they can go about assessing utilities. Capitalizing incomes, investment, etc? Montana has a complicated method of assessing property. It is the only state that does this in this matter. Have to subtract whatever is assessed locally from the main assessment. The DoR has to go through a rigamarole to get to the correct value. After subtracting all local values there was nothing left for the state to allocated to other counties in the state. If local values get high enough and they continue to get high, it detracts from the unit value. In order to eliminate local assessments, the percentage would have to be reduced to something less so each utility on the average (all of them together) will be paying to local governments what they had been paying.

Taxable value at 13% will come out the same on all companies. Some companies have more locally assessed property than others. Have worked with Mountain Bell to eliminate local assessments and increase central value and that is now part of their central assessment. It puts Montana centrally assessed property closer to what other states are. This saves the DoR and the company a lot of bother.

Can eliminate those construction works in progress that are detracting from the value of every other property in the state. If wait very long will have to correct the problem after the tax goes on. They see allocations from the department decreasing each year even though the total value of the company is increasing because one or two counties have a lot of construction in them and are siphoning a lot of money off.

Ken Morrison, Department of Revenue, supports HB 643, as does Mantz Hutchinson.

Mike Stephens, Montana Association of Counties, support HB 643 because it will allow a more constant tax base for each county.

Opponents -

Les Loble, Montana Dakota Utilities Company, opposes HB 643, saying the market value of \$60 million overall as fixed by the department of revenue, \$27.3 million of which is locally assessed, leaving \$32.7 million centrally assessed. Believe it will cost MDU \$400,000 in taxes.

Gene Phillips, Pacific Power and Light Company, doesn't know where the 13% rate is. They are overallocating to the state of Montana by a substantial amount. Are paying tax on work in progress and can not earn a return on work in progress. Hates to see the bill passed without further study.

Thomas J. O'Neill, Montana Power Co., Helena, opposes HB 643, saying the tax effect of this measure will be approximately \$3.3 million at 16%. Total market value is \$492.5 million, taxable value \$57 million or 11.7%. There will be a drastic affect to Montana Power. The method for allocation is done on a mileage basis - might be drastically affected.

Tom Dowling, Montana Railroad Association, Helena, opposes HB 643 - the Burlington Northern, Union Pacific and Milwaukee are opposed.

Rep. Williams asked what effect this proposal would have if assessed locally.

Mr. Burr said everything is assessed locally in this bill. This would save Mr. Loble \$105,000.

Rep. Sivertsen asked if revenues would be reallocated. Mr. Burr said they would assess everything under the unit method and allocate values to each county. Would allocate that equipment be locally assessed. They would give 10% of the total allocation to that county. If Colstrip were 10%, would now be allocated to those things that are now assessed and they would receive revenue comparable to what they are receiving now.

Rep. Reichert, referring to page 4, lines 18 through 25, said some counties weren't pleased with the apportionment method. Would this come under revenue sharing? Mr. Burr said this maintains a constant value for each taxing jurisdiction instead of allowing construction to siphon off all the money from other jurisdictions. It was not the intent of this legislation to impact - perhaps a floating value might be feasible. They want no siphoning off from one place to another. Could treat locally assessed property in a computation and combine those two. At 13% would save MDU, and 13% would cost Montana Power Company. If similar companies are taxed at 11% and 12%, could not do that.

Rep. Williams said could possibly have a constitutional problems. The problem with railroads involves federal law and this would not involve that. Only the county in which it is actually located. There is a \$2,000 amount allocated on railroads.

Rep. Lien asked how this would affect taxable values of counties? Mr. Burr said valuations in most areas should remain about the same.

Rep. Sivertsen feels there is a big discrepancy in different areas because of the fact that some utilities are apportioned centrally and others locally.

Mr. Morrison said much of the Mountain Bell property is centrally assessed. Most of their utility property was appraised also.

Mr. Dowling said the position of the railroads is that they are not a utility.

Mr. Loble said he would take figures back to the people in Bismark.

Pacific Power and Light is taking no position.

Montana Power's position is that they are basically in agreement with the idea. If they could get 11% this year and maybe raise it to 12% next year...

Rep. Williams asked, assuming something is worked out on this under the new proposal and it doesn't fit into the class of 13% property, could we make another class? Mr. Burr said it could be put into another class at a different rate. Engineering studies, etc., are already considered in the construction process and would be taking away allocations from other counties.

Rep. Daniel Kemmis, District #94, Missoula, chief sponsor said HB 882 revises the Montana Homestead exemption law in a number of ways. It includes mobile homes and kinds of homes it can be claimed on whether or not it is situated on land that is not owned by the trailer owner.

Rep. Sivertsen approves the bill the way it is written now. People who use these recreational facilities are taxpayers and it is a benefit to have these facilities. People come into town and they spend money - benefits derived in the business community will offset this.

Rep. Lien mentioned trap and skeet ranges used to be considered a wealthy person's sport, but many less affluent people enjoy them now. It takes up a large portion of land in which to have the shot fall. Taxes have hit very hard and this would be a relief.

Rep. Huennekens said he has been opposed to this, but he is going to go with it for a different reason. Senior citizens find a considerable amount of recreational pleasure from golf and trap and skeet ranges which are used by many of them. He will go with the bill. He doesn't think some of the people who golf necessarily need the help but some of the people do need the help.

Rep. Reichert thinks this is more than just a tax break, it provides availability of more greenbelt. What if some industry bought that same land - would make for more pollution.

Rep. Fabrega said if private golf courses don't exist, the municipality would have to supply them and they would cost more than the tax relief provided here. A community needs this kind of summer outdoor recreational areas.

Rep. Williams feels this type of property would be better off under a new classification, Class 4. This would reduce tax rate to 4.275% which would give them a break of half present tax rate. This should be carried as a subsection under HB 213. Would the committee be interested in this?

Rep. Williams moved to change the rate from 3% to 4.275%. Rep. Lien approves this amendment since it puts it in a land class, but doesn't put it in agricultural land.

Rep. Fabrega feels this bill should be changed to Class 15. The motion to put this type of property into a Class 4 was adopted unanimously.

The original motion by Rep. Fabrega to DO PASS AS AMENDED was adopted by all members of the committee except Rep. Dassinger who voted No. Reps. Vinger, Robbins, Nordtvedt and Gilligan were absent.

Rep. Huennekens thought it is worth it to town people to have some place that is green to look at.

HOUSE BILL 643 - Rep. Reichert thinks increasing taxes on Montana Power would only be passed through to the consumer.

Rep. Fabrega feels this would only be siphoned off into Rosebud County during the construction period for three or four years and if this bill is passed, it would be permanent.

Rep. Reichert mentioned utilities feel centrally assessed taxable valuation is alright with them. She is in kind of a quandary and worries about rates on public utilities such as Montana Power.

Rep. Williams would prefer to see the committee table this piece of legislation.

He thinks this should go into the oversight committee and analyzed more completely, especially in view of the lawsuit the department is facing as far as railroads are concerned - will have less problems that way. The sub-committee recommends that HB 643 be tabled. Rep. Williams made a motion that HB 643 BE TABLED.

Rep. Lien feels utilities are trying to get as much property as possible under local tax base, and the Department of Revenue is holding out for centrally assessed valuations. He recommends that it be studied by the oversight committee.

Rep. Dassinger said Rosebud County has the amount of money the county can take for the schools. All taxable value receipts now will go to other than school district funds, so it isn't as much loss as it would seem.

Rep. Williams said centrally assessed properties don't fit into Class 16. Just don't seem to be any place to put it or to move it. The last time in Class 10 was all other property and it was decided to leave it there. Hope after a study by the oversight committee, perhaps a class should be set up for centrally assessed property.

Rep. Fabrega asked if as part of the motion to table we should make the recommendation to the oversight committee that this be studied?

Rep. Huennekens suggested that all recommendations be included in one resolution about the 89th day.

There were No Noes on Tabling HB 643. Same four members were absent.

HOUSE BILL 831 - Rep. Burnett moved HB 831 Do Pass, then he moved that proposed amendments be adopted. The staff attorney advised the amendments tighten down where counties can forgive taxes and would exempt the property. It would be in the same section as the agricultural section, but not in the same statute.

Rep. Burnett thought it could be amended to forgiveness of taxes and make it tax free in the future.

Forgiveness of taxes bothers Rep. Huennekens, and asked the attorney about this; Mr. McDonald said he had seen none in the statute.

Rep. Bertelsen suggested that the county commissioners take over for the taxes due and a loan be privately held by a bank for the \$90,000 in taxes due on the rodeo grounds.

Rep. Fabrega said there are several organizations involved - if the county commissioners take title back and enter into an agreement to lease the facility back to the rodeo association, would they be able to make enough to make the payment to the bank.

Rep. Huennekens doesn't think this is a matter for legislation - it is a local problem.

Rep. Sivertsen reminded that the reappraisal caused the problem since the rodeo grounds had not been taxed but was included after reappraisal. The loan was a bad business venture and we can't protect everybody from that type

4/24
Page 4

COMMITTEE ON TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CON- CURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CON- CURRED IN DATE
534	3/29	4/2	4/5					4/5	
543	2/20	3/2	TABLED	4/6					
547	3/20	3/24	4/5					4/5	
568	3/28	4/3	Transf. to Fin. & Claims	4/6 (As Amend.)					
572	2/19	3/2	3/2				3/2		
573	3/16	3/22	TABLED	3/26					
581	2/22	3/7	3/7				3/7		
582	2/22	3/6	3/6				3/6		
619	2/22	3/8	3/8					3/8	
630	3/17	3/24	TABLED	4/6					
633	3/28	4/3	TABLED	4/5					
639	3/21 (4/16)	3/30	(4/5) 4/17					4/17	
643	3/28	4/2	4/5					4/5	
646	3/19	3/23	4/17					4/17	
649	3/27	Transfer	4/17					4/17	
669	3/24	3/28	4/6					4/6	

Apr. 2, 1979

CONSIDERATION OF HOUSE BILL 643: Representative Fabrega presented the bill which he said was introduced by the Department of Revenue, and was an attempt to create single property tax rate for centrally assessed utilities. Such utilities are first locally assessed and then the Department assesses the value of the entire operation. He said such system involves a lot of paperwork for everyone. The property would be taxed at 12 or 15%. Presently centrally assessed property is taxed at 15% and locally assessed property owned by such centrally assessed companies are taxed at rates from 8 to 13.3%. Mr. Burr of the Department further explained the bill, illustrating the proposed method. He said the bill attempts to eliminate the central assessment. He said if we eliminate local assessments the big problem would be in coming up with local assessed value. He said there would be a slight loss to some companies and a raise to others.

The Chairman called for other witnesses to the bill and first to speak was Mr. Gannon of Montana Power who introduced amendments, see Exh. #5, and said he was not necessarily opposing the bill, that the 12% tax rate would be very close but represented about \$240,000 tax increase. He said this increase was not their prime concern; rather they were concerned with the allocation back to the counties. He asked if the Department could reduce the taxable valuation and switch it back to the tax-poor counties.

Mr. Loble said he had no objection to centrally assessing the utilities but had problems with the bill. He said M.D.U., which firm he represents, had pipelines going through the state into Wyoming and into North Dakota, thus presenting some assessment problems. He thought such method of assessing would increase taxable valuation of the company as well. Mr. Dowling of the Railroad Association testified also and said he too was concerned with the possible impact on Burlington Northern, which he said would be considerable. Mr. Allen of the Montana Petroleum Assoc., also spoke saying he favored the amendments of Mr. Gannon. He referred to pipelines going through the state and said in many cases costly meters would have to be installed to determine the major flows. Also, he said any additional taxes would be passed on to the consumers, and he felt there should be a way to reclassify such utilities without increasing the taxes. Mr. Phillips said he supported the bill in its present form as it would be very close to what his company (companies) are now paying.

The Chairman asked for further proponents to speak, and there being none, called for opposition testimony.

Mr. McAfee, county commissioner, opposed the bill because of the proportion of revenues that would go back to the counties, referring to the Department's plan of distribution on miles of line. Representative Fabrega stated he thought the Montana Power amendments would take care of the objections of Mr. McAfee. He said in the case of the railroad there would be a decrease and he did not feel such a reduction was warranted. He asked the committee to take a good look at the bill.

There followed a discussion on the market value of the pipe lines, related equipment, and Mr. Gannon said some of the operational equipment has been in use for some time and the cost would be difficult to

Apr. 2, 1979

ascertain. The market value, however, would be readily available, he said. Mr. Burr said the section the bill addresses would merely be how the revenues would be allocated in the state. Discussion continued on the different values placed on operational property as distinguished from company holdings. This concluded the hearing on HB643.

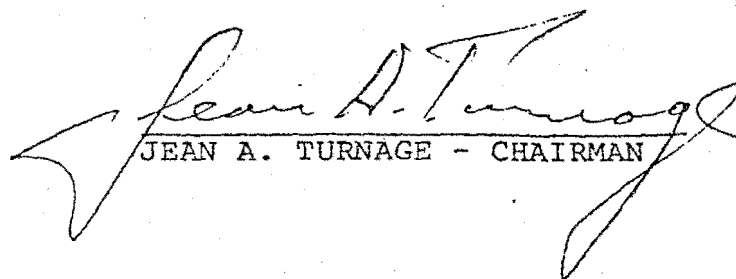
CONSIDERATION OF HOUSE BILL 534: Representative McBride presented his bill which he said would include passive-solar energy systems in the recognized forms of energy generation for corporate license tax credits or deductions. He said estimates range from 150 to 600 homes that might apply for such credits. He said several other states have such credits, however they do not give the full amount. He suggested further that the committee should consider the Statement of Intent that should be accompanying the bill.

Other proponents of the bill included Mr. Pogue who had slides to illustrate various methods of sun-heating homes. Mr. Knudsen of the Department of Natural Resources also gave his support of the legislation as did Ken Curtis and John Kreiger.

Chairman Turnage called for other proponents of the bill, and following, the opponents; there were none and the hearing on HB534 closed.

CONSIDERATION OF HOUSE BILL 821: Representative McBride said his bill would establish a special property tax classification for the property of new small businesses established in economically depressed areas for a period of 5 years. He said it was an attempt to attract new investment and get new moneys from outside the area, and to attract new jobs. He felt it would also give competition to existing businesses. Darrell Lee and Frank Manley also appeared in support of the bill.

The Chairman called for other proponents and there being none, called for opponents to the measure. The committee then discussed the impact of such legislation and it was pointed out if the bill were passed it should not apply to existing businesses. Researcher Terry Cohea was asked to draw up an amendment to so limit the bill. The meeting was then adjourned.


JEAN A. TURNAGE - CHAIRMAN

Date APR. 2, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

NAME Les Loble II Bill No. H 13643
ADDRESS 716 Power DATE 4-2-7
WHOM DO YOU REPRESENT Montana Dakota Utilities Co
SUPPORT ~~_____~~ OPPOSE (X) AMEND ~~_____~~

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

~~p4, line 22 Following "or"
insert: "a customer or meter basis in
the case of distribution property and in the
case of all other property"~~

~~p4, line 23 Following: COUNTIES "a mileage
~~Add: _____~~~~

~~Add: "and in the case of distribution
property at the option of the utility
on a meter or customer basis"~~

H. B. 643

Amendments
Adopted.

	<u>Taxable Rate</u>		<u>Taxable Value Change</u>
Railroads	15%	Decrease	\$ 713,935
Telephone	15%	Increase	46,680
Pipelines	15%	Increase	122,998
Airlines	15%	Decrease	61,115
Power & Gas	12%	Increase	4,254,491

#1

HB 643

Fabre
4-2-2000

HOUSE BILL 643 Third Reading Copy

1. Amend page 4, line 21.

Following: "under"

Insert: "15-23-101,"

2. Amend page 4, line 23.

Following: "THE"

Strike: "ORIGINAL INSTALLED COST"

Insert: "current market value"

3. Amend page 4, line 25 and Page 5 lines 1 through 5.

Following: "COUNTIES."

Strike: the rest of line 25 on page 4 and all of lines 1 to 5 on page 5

4. Amend page 7, line 2.

Following: "assessed"

Insert: "electric"

Following: "and"

Insert: "natural"

#5

Gannon
Mont Pae
4-2nd

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 5, 1979

The sixty-eighth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building with Chairman Turnage presiding; this was the 8 o'clock a.m. meeting.

ROLL CALL: Roll call found all the members present.

First up for the committee's consideration and discussion, was HB303 by Rep. Nordtvedt. This income tax indexing bill was again discussed by the committee and they agreed on adopting the Department of Revenue's recommendation to make the bill applicable also to those who use the fiscal year as well as the calendar years, in computing their taxes. This Amendment was Carried on motion by Senator Roskie.

They also discussed amending the bill to include setting time to compute the consumer price index. This amendment was moved by Sen. Towe and carried.

Senator Goodover then Moved HB303 As Amended, Be Concurred In. Motion carried. Senators Towe and Watt voted "No".

Next up for consideration was HB213 to revise property tax classification. Here the committee discussed again the vehicle fee system which had come up for considerable discussion. Mr. Burr of the Revenue Department was present to provide information as to the fiscal impact of the rate changes being considered by the committee. After the discussion, Senator Severson made the following motion:

Sen. Severson Moved the committee request a resolution be adopted relative to the Administrative Code Rule concerning the book value of motor vehicles as outlined. His motion carried, Sen. Roskie voting "No" and Researcher Terry Cohea was instructed to draw up such a resolution.

HB213 was again discussed and Senator Goodover moved the amendments previously made to HB213 be removed. The motion carried by roll call vote, 8-3. Note absence here of Sen. Brown.

Sen. Goodover then Moved HB213 Be Concurred In. Motion carried. Note here, "No" vote cast by Sen. Manley; Sens. Brown and Roskie gone.

HB643 was then up for discussion and Mr. Morrison of the Department of Revenue was present to answer questions of the committee. A number of amendments had been considered by the committee and these were discussed in detail. Senator Towe Moved the Adoption of the amendments from Mr. Gannon of Montana Power. This motion carried.

The bill, dealing with centrally assessed utilities, was discussed

thoroughly and one of the points made by Montana Power, in favor of their amendment to place it in lower rate classification was that they were presently paying a variety of taxes, whereas power, pipelines, similar entities, had but one operation, therefore it was agreed their tax should be in higher rate classification. Senator Towe Moved to adopt the Revenue Department's amendment specifying "original cost" in referring to assessments. This motion carried also. (These amendments appear on Committee Report filed with proceedings of the committee on April 6th.)

Representatives of a number of the utilities, power companies, were present to offer their amendments and further discuss the bill. They included Gene Phillips with PP& L, Mr. Gannon, Bob Quinn. He said they would like to see a single assessment. They would prefer not passing extra costs on to their customers; also they wanted to be assured that the allocation of revenue go back to the counties where installations of the central plants are located.

Senator Watt Moved HB643 As Amended Be Concurred In. The motion carried by a 7-5 vote, see roll call.

There was concern that this bill would create a problem should HB213 is passed. Sen. Goodover Moved that a property tax class be created that would accommodate both percentages needed for this bill, HB643. His motion carried.

Next up for the committee's consideration was HB427, the library funding bill. The bill was discussed and it was noted that some of the earmarked revenue funds in SB300 was for libraries and if this bill was killed there would be no other means of helping libraries should the committee choose to do so.

The committee discussed amending the bill for an effective date, this to be included also in the title. Sen. Watt Moved this amendment and it was carried.

Senator Watt then Moved HB427 As Amended, Be Concurred In. Motion carried 8-4, see roll call.

Senator Manley made a motion to amend the bill whereby moneys raised by the bill would be allocated to local governments by population. His motion failed on a roll call vote.

The committee next took up for consideration HB649 regarding insulation of homes and loans for such costs by serving utility companies. After some discussion the committee agreed to table the bill.

Senator Roskie Moved HB649 be Tabled. Motion carried.

HB547 was then discussed further and the bill, dealing with freedom to negotiate salaries over schedule for vo tech teachers, was seen to be amended extensively in the House. The committee felt the stricken language should be reinserted in order that the bill might go into a conference committee where it could be further studied.

Senator Brown Moved to Amend HB547 to its original form. Motion carried. Sen. McCallum then Moved HB547 As Amended, Be Concurred In.

Date APR. 5, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

8 a.m.

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. MCCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

2

SENATE COMMITTEE TAXATION

Date 4-5-79 House Bill No. 643 Time 9:20

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	X	
SEN. BROWN	X	
SEN. HAGER	X	
SEN. MANLEY		X
SEN. MANNING		X
SEN. MCCOLLUM		X
SEN. NORMAN	X	
SEN. ROSKIE		X
SEN. SEVERSON		X
SEN. TOWE	X	
SEN. WATT	X	
CHAIRMAN TURNAGE	X	

7-5

Nita Fjeseth
Secretary

Jean A. Turnage *Carried*
Chairman

Motion: As Am Be Carried

(include enough information on motion—put with yellow copy of committee report.)

1 STATEMENT OF INTENT RE: HB 643

2
3
4 Section 5 of House Bill 643 requires the department of
5 revenue to apportion the value of certain centrally assessed
6 property among the counties in which such property is
7 located. This apportionment shall be made on a mileage basis
8 or on the basis of the original installed cost of the
9 centrally assessed property located in the respective
10 counties. If the property is of such a character that its
11 value cannot be apportioned on either of these bases, then
12 the department may adopt such other method or basis of
13 apportionment as may be just or proper. It is the intent of
14 the legislature that apportionments made under this act
15 shall substantially correspond with the location of such
16 property.

HB 643

HOUSE BILL NO. 643

INTRODUCED BY FABREGA

BY REQUEST OF THE DEPARTMENT OF REVENUE

A BILL FOR AN ACT ENTITLED: "AN ACT TO REQUIRE THAT ALL OPERATING PROPERTY OWNED BY CENTRALLY ASSESSED COMPANIES BE ASSESSED BY THE DEPARTMENT OF REVENUE AND TO APPLY A SINGLE PROPERTY TAX RATE TO THAT PROPERTY; PROVIDING THAT THIS ACT APPLIES TO TAXABLE YEARS AFTER DECEMBER 31, 1979; AMENDING SECTIONS 15-6-108, 15-6-111, 15-6-115, 15-8-111, 15-8-407, 15-23-101, 15-23-105, 15-23-202, 15-23-403, MCA; AND REPEALING SECTION 15-23-302, MCA; AND PROVIDING FOR COORDINATION WITH HOUSE BILL 213."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-6-108, MCA, is amended to read:

"15-6-108. Class seven property -- description -- taxable percentage. (1) Class seven property includes:

~~(a) centrally assessed utility allocations after deductions of locally assessed properties except as provided in:~~

~~(i) class fourteen for rural telephone and~~

~~(ii) class eighteen for cooperatives~~

~~(b) (1)~~ all other property not included in classes one through six and classes eight through twenty;

~~(c) (1)~~ large trucks and commercial trailers valued in the department of revenue's truck and commercial trailer schedule.

(2) Class seven property is taxed at 16% of its market value."

Section 2. Section 15-6-115, MCA, is amended to read:

"15-6-115. Class fourteen property -- description -- taxable percentage. (1) Class fourteen property includes:

(a) all ~~poles, lines, transformers, transformer stations, meters, tools, improvements, machinery, and other~~ property, except that included in class eighteen, used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less. The average circuit miles for each station on the telephone communications system must be more than 1 1/4 miles to qualify for this classification.

(b) tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes; and

~~(c) electric transformers and meters, electric light and power substation machinery, and natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by centrally assessed public~~

1 utilities--and--tools--used-in-the-repair-and-maintenance-of
2 the-property-included-in-this-subsection; and

3 (d)(c). livestock, poultry, and unprocessed products of
4 both.

5 (2) Class fourteen property is taxed at 8% of its
6 market value."

7 Section 3. Section 15-8-407, MCA, is amended to read:

8 "15-8-407. Railroads and other franchises. (1) The
9 franchise, roadway, roadbed, rails, and rolling stock, and
10 all other operating property of all railroads operated in
11 more than one county in this or more than one state must be
12 assessed by the department of revenue as hereinafter
13 provided.

14 (2) Other franchises, if granted by the authorities of
15 a county or city, must be assessed in the county or city
16 within which they were granted; if granted by any other
17 authority, they must be assessed in the county in which the
18 corporations, firms, or persons owning or holding them have
19 their principal place of business."

20 Section 4. Section 15-23-101, MCA, is amended to read:

21 "15-23-101. Properties centrally assessed. The
22 department of revenue shall centrally assess each year:

23 (1) the franchise, roadway, roadbeds, rails, rolling
24 stock, and all other operating property of railroads
25 operated operating in more than one county in the state or

1 more than one state--but--buildings--on--right-of-way--land
2 outside--the--right-of-way--and--improvements--thereon;
3 furniture--machinery--and--other--personal--property--situated
4 within-a-county--shall--be--assessed--in--that--county;

5 (2) property owned by a corporation or other person
6 constituting operating a single and continuous property
7 operated in more than one county or more than one state,
8 including telegraph, telephone, microwave, electric power or
9 transmission lines, natural gas or oil pipelines, canals,
10 ditches, flumes, or like properties--but--buildings--on
11 right-of-ways--land--outside--the--right-of-way--and--improvements
12 thereon--dams--and--powerhouses--furniture--machinery--and
13 other--personal--property--situated--within-a--county--shall--be
14 assessed--in--that--county;

15 (3) all property of scheduled airlines;

16 (4) the net proceeds of mines and of oil and gas
17 wells; and

18 (5) the gross proceeds of coal mines."

19 Section 5. Section 15-23-105, MCA, is amended to read:

20 "15-23-105. Apportionment among counties. The
21 department shall apportion the value of property assessed
22 under 15-23-101, 15-23-202, 15-23-302, or 15-23-403 among
23 the counties in which such property is located.
24 Apportionment shall be on a mileage basis or if ON THE BASIS
25 OF THE ORIGINAL INSTALLED COST OF THE CENTRALLY ASSESSED

1 PROPERTY LOCATED IN THE RESPECTIVE COUNTIES. IF the property
 2 is of such a character that its value cannot reasonably be
 3 apportioned on the basis of mileage OR ON THE BASIS OF THE
 4 ORIGINAL INSTALLED COST OF THE CENTRALLY ASSESSED PROPERTY
 5 LOCATED IN THE RESPECTIVE COUNTIES the department may adopt
 6 such other method or basis of apportionment as may be just
 7 or proper."

8 Section 6. Section 15-23-202, MCA, is amended to read:

9 "15-23-202. Assessment -- how made. The department
 10 must assess the franchise, roadway, roadbed, rails, and
 11 rolling stock, and all other operating properties of all
 12 railroads operated in more than one county or more than one
 13 state. All rolling stock must be assessed in the name of the
 14 person owning, leasing, or using the same. Assessment must
 15 be made to the person owning or leasing or using the same
 16 and must be made upon the entire railroad within the state.
 17 The depots, stations, shops, and buildings erected upon the
 18 space covered by the right-of-way and all other property
 19 owned or leased by such person, except as above provided,
 20 shall be assessed by ~~an agent of~~ the department ~~in the~~
 21 ~~county where they are located.~~"

22 Section 7. Section 15-23-403, MCA, is amended to read:

23 "15-23-403. Determination of value -- notice. (1) The
 24 department of revenue shall determine the full and true
 25 valuation of all property of all airlines operating in this

1 state or used by every scheduled airline company in air
 2 commerce. This valuation may be ascertained by:

3 (a) determining the full and true valuation of all
 4 property owned and operated by every scheduled airline
 5 company; and

6 (b) allocating to the state of Montana from this total
 7 valuation a valuation which represents this state's proper
 8 share of the valuation of the property, through the
 9 application of ratios which are indicated in subsections
 10 (8), (9), (10), and (11) of 15-23-402 against the total
 11 valuation; and

12 ~~(c) assessing, by the agent of the department in the~~
 13 ~~county where they are located, buildings, furniture, and~~
 14 ~~other personal property. These values shall be subtracted~~
 15 ~~from the total state share to arrive at the value to be~~
 16 ~~allocated.~~

17 (2) After making such assessment, the department shall
 18 give written notice thereof to the person or persons to whom
 19 the assessment is made."

20 SECTION 8. SECTION 15-6-111, MCA, IS AMENDED TO READ:

21 "15-6-111. Class ten property -- description --
 22 taxable percentage. (1) Class ten property includes:

23 (a) aerial, surface, and portable ski lifts and ski
 24 tows, including the towers, cables, ropes, sheave
 25 assemblies, conveying devices, power units, and all

accessories;

(b) manufacturing and mining machinery, fixtures, and supplies, except those included in class eighteen; and

~~(c) centrally assessed ELECTRIC power and gas utility COMPANIES' allocations, except pipelines OTHER THAN NATURAL GAS PIPELINES; and~~

~~(D) ALLOCATIONS FOR CENTRALLY ASSESSED NATURAL GAS COMPANIES HAVING A MAJOR DISTRIBUTION SYSTEM IN THIS STATE; AND~~

~~(e) (1) camper trailers and truck campers valued in the "N.A.D.A. Recreational Vehicle Appraisal Guide".~~

(2) Class ten property is taxed at 12% of market value."

SECTION 9. THERE IS A NEW MCA SECTION THAT READS:

Class twenty-one property -- description -- taxable percentage. (1) Class twenty-one property includes centrally assessed utility COMPANIES' allocations except:

(a) class ten for ELECTRIC power and NATURAL gas COMPANIES' property other than ~~INCLUDING NATURAL GAS~~ pipelines;

(b) class fourteen for rural telephones; and

(c) class eighteen for cooperatives.

(2) Class twenty-one property is taxed at 15% of its market value.

SECTION 10. SECTION 15-8-111, MCA, IS AMENDED TO READ:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in class one and classes seven through eighteen. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in class one, and classes seven through eighteen, class twenty, and class twenty-one is the percentage of market value established for each class of property in 15-6-102, and 15-6-108 through 15-6-119, 15-6-121, and [section 9].

(5) The assessed value of properties in 15-6-103 through 15-6-107 and 15-6-120 is as follows:

(a) Property in 15-6-106, under class five, is assessed at 100% of book value by the method established in 15-6-106 and the sections cited therein.

(b) Properties in 15-6-103, under class two, are

1 assessed at 100% of the annual net proceeds after deducting
2 the expenses specified and allowed by 15-23-503.

3 (c) Properties in 15-6-104, 15-6-105, and 15-6-120,
4 under classes three, four, and nineteen are assessed at 100%
5 of the annual gross proceeds.

6 (d) Properties in 15-6-107, under class six, are
7 assessed at 100% of the productive capacity of the lands
8 when valued for agricultural purposes. All lands that meet
9 the qualifications of 15-7-202 are valued as agricultural
10 lands for tax purposes.

11 (6) Land and the improvements thereon are separately
12 assessed when any of the following conditions occur:

13 (a) ownership of the improvements is different from
14 ownership of the land;

15 (b) the taxpayer makes a written request; or

16 (c) the land is outside an incorporated city or town.

17 (7) The taxable value of all property in classes two
18 through six is the percentage of assessed value established
19 in 15-6-103 through 15-6-107 for each class of property."

20 Section 11. Repealer. Section 15-23-302, MCA, is
21 repealed.

22 SECTION 12. APPLICABILITY. THIS ACT APPLIES TO
23 TAXABLE YEARS AFTER DECEMBER 31, 1979.

24 SECTION 13. COORDINATION WITH HOUSE BILL 213. IF
25 HOUSE BILL 213, INTRODUCED IN THE 46TH LEGISLATURE, IS

1 SIGNED BY THE GOVERNOR:

2 (A) SECTIONS 8 AND 9 OF THIS ACT ARE REPLACED WITH THE
3 FOLLOWING SECTION:

4 Section 8. Class [eleven] property -- description --
5 taxable percentage. (1) Class [eleven] property includes:

6 (a) centrally assessed electric power companies'
7 allocations;

8 (b) allocations for centrally assessed natural gas
9 companies having a major distribution system in this state;
10 and

11 (c) centrally assessed companies' allocations except:

12 (i) electric power and natural gas companies'
13 property;

14 (ii) property owned by cooperative rural electric and
15 cooperative rural telephone associations and classified in
16 class five; and

17 (iii) property owned by organizations providing
18 telephone communications to rural areas and classified in
19 class seven.

20 (2) Class [eleven] property is taxed as follows:

21 (a) Property described in subsection (1)(a) and (b) is
22 taxed at 12% of market value.

23 (b) Property described in subsection (1)(c) is taxed
24 at 15% of market value.

25 (B) THE FOLLOWING ADDITIONAL SECTION OF STATUTE IS

1 AMENDED AS FOLLOWS:

2 SECTION 11. SECTION 15-6-101, MCA, IS AMENDED TO READ:

3 "15-6-101. Property subject to taxation --
4 classification. (1) All property in this state is subject to
5 taxation, except as provided otherwise.

6 (2) For the purpose of taxation, the taxable property
7 in the state shall be classified in accordance with 15-6-102
8 through 15-6-121 AND [SECTION 8]."

9 (C) SECTION 10 OF HOUSE BILL 643, THIRD READING COPY,
10 IS AMENDED AS FOLLOWS:

11 SECTION 10. SECTION 15-8-111, MCA, IS AMENDED TO READ:

12 "15-8-111. Assessment -- market value standard --
13 exceptions. (1) All taxable property must be assessed at
14 100% of its market value except as provided in subsection
15 (5) of this section and in 15-7-111 through 15-7-114.

16 (2) Market value is the value at which property would
17 change hands between a willing buyer and a willing seller,
18 neither being under any compulsion to buy or to sell and
19 both having reasonable knowledge of relevant facts.

20 (3) The department of revenue or its agents may not
21 adopt a lower or different standard of value from market
22 value in making the official assessment and appraisal of the
23 value of property in class one and classes seven through
24 eighteen. For purposes of taxation, assessed value is the
25 same as appraised value.

1 (4) The taxable value for all property in class one,
2 and classes seven through eighteen, CLASS TWENTY, AND CLASS
3 TWENTY-ONE is the percentage of market value established for
4 each class of property in 15-6-102, and 15-6-108 through
5 15-6-119, 15-6-121, and [section 98].

6 (5) The assessed value of properties in 15-6-103
7 through 15-6-107 and 15-6-120 is as follows:

8 (a) Property in 15-6-106, under class five, is
9 assessed at 100% of book value by the method established in
10 15-6-106 and the sections cited therein.

11 (b) Properties in 15-6-103, under class two, are
12 assessed at 100% of the annual net proceeds after deducting
13 the expenses specified and allowed by 15-23-503.

14 (c) Properties in 15-6-104, 15-6-105, and 15-6-120,
15 under classes three, four, and nineteen are assessed at 100%
16 of the annual gross proceeds.

17 (d) Properties in 15-6-107, under class six, are
18 assessed at 100% of the productive capacity of the lands
19 when valued for agricultural purposes. All lands that meet
20 the qualifications of 15-7-202 are valued as agricultural
21 lands for tax purposes.

22 (6) Land and the improvements thereon are separately
23 assessed when any of the following conditions occur:

24 (a) ownership of the improvements is different from
25 ownership of the land;

- 1 (b) the taxpayer makes a written request; or
- 2 (c) the land is outside an incorporated city or town.
- 3 (7) The taxable value of all property in classes two
- 4 through six is the percentage of assessed value established
- 5 in 15-6-103 through 15-6-107 for each class of property."

STATE OF MONTANA

REQUEST NO. 303-79

FISCAL NOTE

Form BD-15

compliance with a written request received February 12, 19 79, there is hereby submitted a Fiscal Note House Bill 643 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This proposed bill requires that all operating property owned by centrally assessed companies be assessed by the Department of Revenue and to apply a single property tax rate to that property.

ASSUMPTIONS

Centrally assessed utility property varies in taxable percentage. The values were calculated for tax year 1979 to give an estimate of the impact of this proposal if it had been in effect. The taxable value of these properties is \$168 million. The increase as a result of this proposal would increase this value to \$203 million, an increase of \$35 million in taxable value. Assuming 200 mills would mean an increase in revenues to local governments of \$7 million. Assuming 6 mills would mean an increase in revenues to the state of \$210,000.

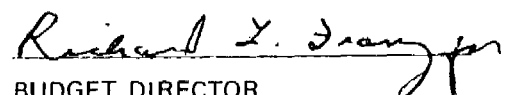
FISCAL IMPACT

If the 1979 estimates continue through the biennium the state could receive an additional \$210,000 each year from the 6 mill levy.

EFFECTS ON LOCAL GOVERNMENTS

If the values calculated for tax year 1979 continue through the biennium local governments would have an additional \$7 million in revenue each year.

PREPARED BY DEPARTMENT OF REVENUE


BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 2/13/79

STATE OF MONTANA

REQUEST NO. 303-79

FISCAL NOTE

Form BD-15

In compliance with a written request received April 2, 19 79, there is hereby submitted a Fiscal Note for House Bill 643 (Third Reading version) pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This proposed bill is an act to require that all operating property owned by centrally assessed companies be assessed by the Department of Revenue and to apply a single property tax rate to that property; providing that this act applies to taxable years after December 31, 1979.

ASSUMPTIONS

Locally assessed utility property varies in taxable percentage. The values were calculated for tax year 1979 to give an estimate of the impact of this proposal if it had been in effect. The taxable value of these properties is \$168 million. If this proposal were in effect the taxable value of these properties would increase \$3.65 million to \$171.65 million. Assuming 200 mills would mean an increase in local government revenues of \$730,000. Assuming 6 mills would mean an increase in revenues to the state of \$22,000.

FISCAL IMPACT

If the 1979 estimates continue through the biennium the state could receive an additional \$22,000 each year from the 6 mill levy.

EFFECTS ON LOCAL GOVERNMENTS

If the 1979 values continue through the biennium local governments could receive an additional \$730,000 in revenue each year.

PREPARED BY DEPARTMENT OF REVENUE

Richard L. Dray for
BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 7/2/79